Investment Idea

NexG Bhd

Another One In the Bag

By Thong Pak Leng, Vice President of Research

BUY

Price: RM0.52

Target price: RM0.85

NexG Berhad (NEXG: 5216) received a new six-year Letter of Award (LOA) worth RM732.7m from Kementerian Dalam Negeri (KDN) for the supply of National Identity Cards; MyKad, MyTentera, and MyPOCA (New Structure) for Jabatan Pendaftaran Negara (NRD). The contract runs from 1 June 2026 to 31 May 2032. We expect partial revenue recognition in FY3/27 and full contribution in FY3/28. With the new contract, we foresee NEXG to register net earnings of RM100.5m, RM153.6m and RM200.4m over the FY3/26-3/FY28 period. BUY with a TP of RM0.85 based on 21x PER (a discount to regional sector average due to its smaller scale) over FY3/28 fully diluted (FD) EPS. Our FD EPS is based on the enlarged issued shares from private placement, fully exercised of ESOS and 1.39bn of warrants conversion divided into 3 years (assuming 1/3 being converted each year from FY3/26 to FY3/28).

Under the LOA, NEXG is required to (i) furnish a performance bond amounting to RM6.106m, with validity until 31 May 2033, providing assurance of project execution and risk mitigation for the government; and (ii) implement the PROTÉGÉ-RTW programme (Professional Training and Education for Growing Entrepreneurs - Ready To Work), with a minimum participation of 305 individuals, at no cost to the government. This aligns the contract with national human capital development objectives.

We believe this RM732.7m contract from KDN over a six-year period is a pivotal development for NEXG. We expect partial revenue recognition beginning FY3/27 and full-year revenue contribution will commence in FY3/28, as production scales up and supply stabilises. On average, the contract may contribute approximately RM122m in revenue annually, though the actual figure may vary across the years depending on project phasing.

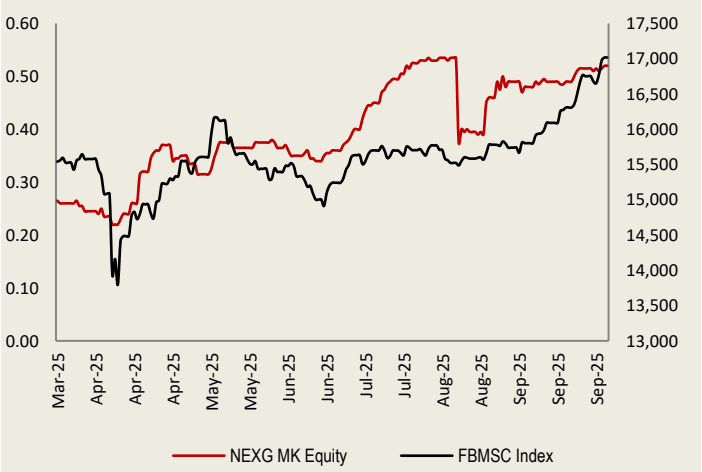
On 29 August 2025, NEXG received and accepted the Letter of Award from KDN in respect for the supply of Malaysia International Passport (Contract) for Jabatan Imigresen Malaysia for a period of six (6) years, commencing from 1 June 2026 to 31 May 2032, for a contract value of RM1.728bn.

Together, these contracts position NEXG as Malaysia's sole provider for core identity and border security infrastructure, anchoring the company's revenue for the next six years.

To meet rising demand, particularly from government contracts, the Group is acquiring a new 30,000-square-foot facility in the Klang Valley at a cost of RM18.4m. An additional RM1.6m has been allocated for machinery upgrades. The new plant is expected to support high-volume orders for documents such as passport booklets, national IDs, and biometric security systems.

Technically Speaking

Resistance level	RM0.53
Support level	RM0.50



KLCI	1,635.06
YTD FBM KLCI change	-0.4%
YTD FBM SC Index change	-5.3%
YTD stock price change	26.8%

Stock Information

Market Cap (RM'm)	1,813.1
Issued Shares (m)	3,486.8
52-week range (H)	0.54
52-week range (L)	0.21
Shariah Compliant	Yes

Major Shareholders

Datuk Abu Hanifah bin Nordin	7.8%
Kuantum Juang SB	5.8%
Titian Tegap SB	4.6%

Summary Earnings Table

FY March (RM'm)	2025	2026F	2027F	2028F
Revenue	373.5	336.1	658.9	757.8
EBITDA	169.3	152.4	232.9	302.6
Pretax profit	151.8	174.7	199.3	263.9
PATMI	115.5	139.5	153.6	200.4
Core PATMI	**115.5**	**100.5**	**153.6**	**200.4**
Consensus	-	104.0	116.0	165.0
Core EPS (sen)	3.9	3.4	5.2	6.7
FD Core EPS (sen)	3.9	2.5	3.4	4.1
EPS growth (%)	25.2%	-13.0%	52.9%	30.5%
DPS (sen)	3.1	2.0	2.7	3.2
PER (x)	13.4	15.4	10.1	7.7
BV/Share (RM)	0.14	0.11	0.12	0.13
ROE (%)	29.1%	37.7%	44.9%	53.1%
Div. Yield (%)	6.0%	3.9%	5.3%	6.2%

Sources: Company, Rakuten Trade Research

COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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Published:

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